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THE OUTLOOK ON GOLD PRICES—
MANY BEARS AND A LONELY BULL

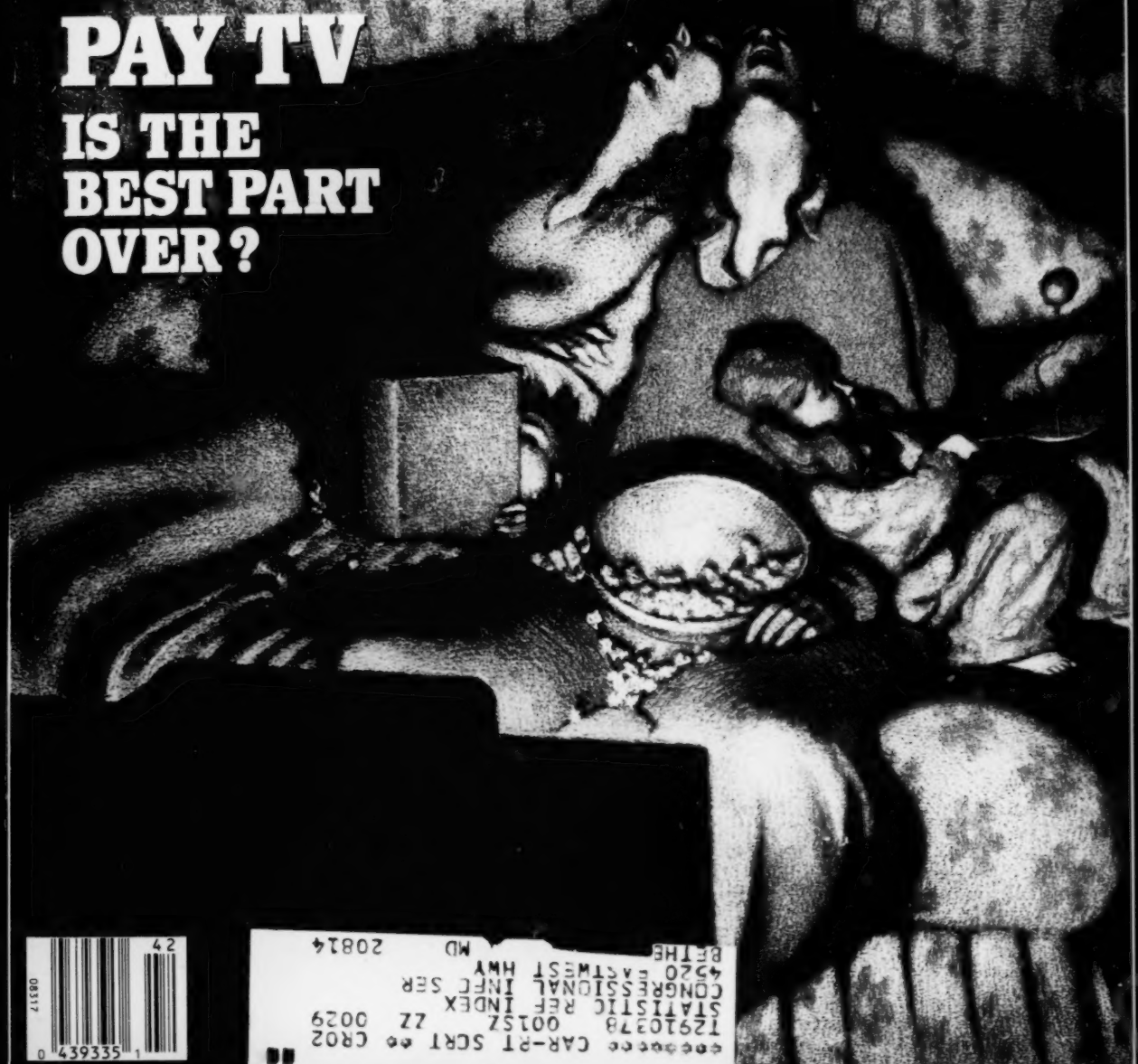
WORLD WRESTLING FEDERATION'S
POWERFUL MARKETING MACHINE

OCTOBER 17, 1988

THREE DOLLARS SEVENTY-FIVE CENTS

Forbes

PAY TV IS THE BEST PART OVER?



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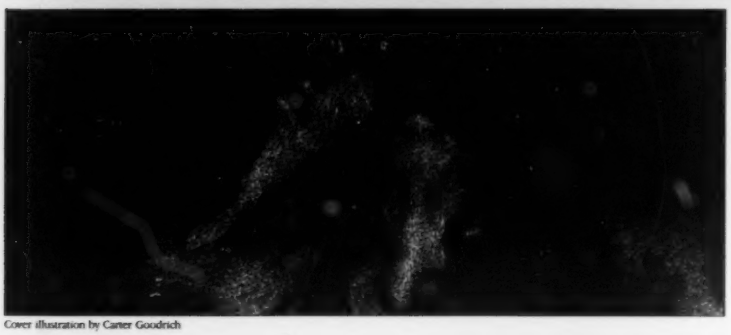

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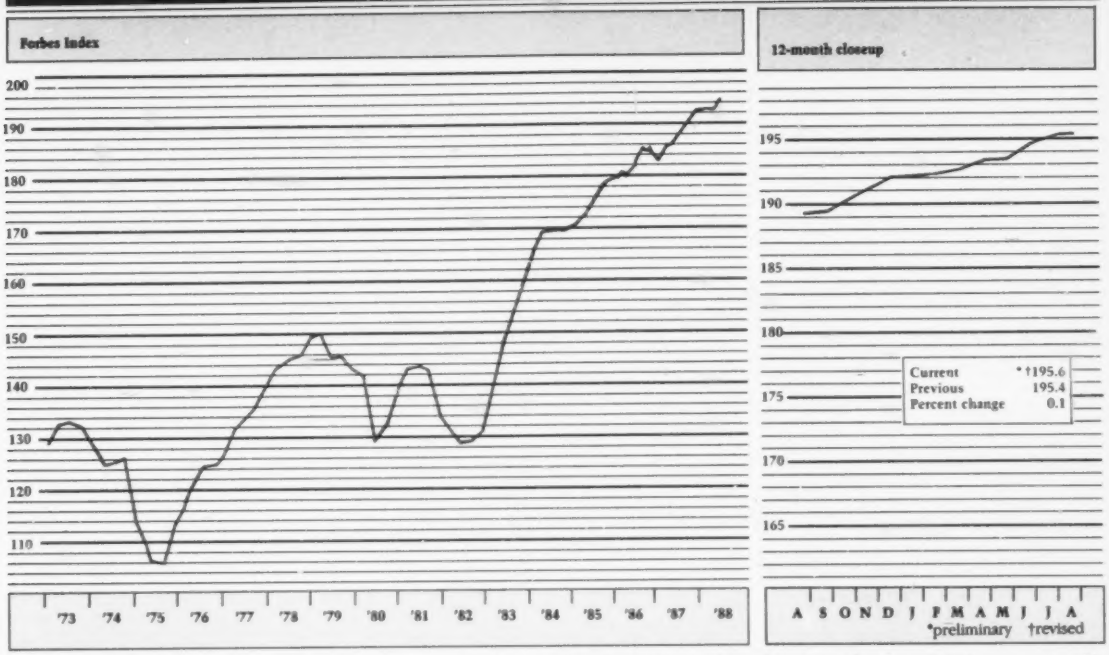
October 17, 1988 Volume 142 Number 8 Forbes (ISSN 0015 6914) is published biweekly except weekly during two weeks in April and two weeks in October, by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Canadian second-class postage paid, permit number 9490. Subscription $48 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011. Copyright © 1988 Forbes Inc. Title is protected through a trademark registration in the U.S. Patent Office.

The Forbes Index



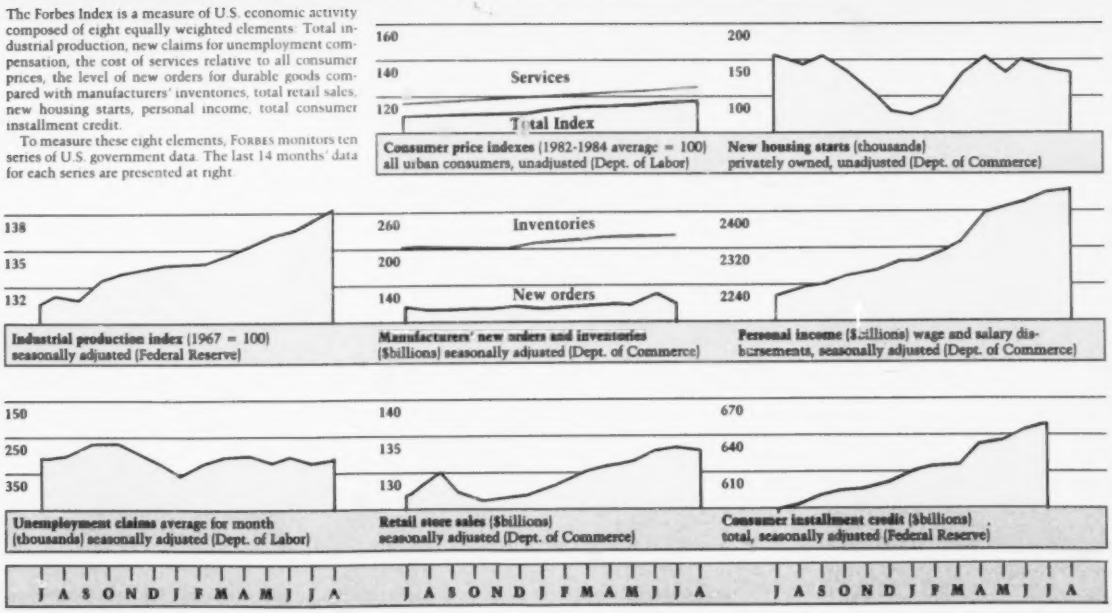
Slowing down. The economy seemed to be slowing down in August. Personal income moved up 0.3%, the smallest increase since June 1987. Consumers cut back on spending, as August retail sales dropped 0.3%, the first decrease in four months. Housing starts fell 1.9%, to 135,000 units. Through the first eight months of 1988 monthly home building figures have been consistently below year-earlier levels. Industrial production edged up 0.2%, versus a 1% gain the previous month.

The Consumer Price Index finished August with a 0.4% gain, mostly because of higher food, shelter and energy prices. The services component of the CPI rose 0.5%. The best bit of news came on the job front, where new unemployment claims for August fell 6.6%, to 305,900.

The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.


160
140
120
Services
Total Index
200
150
100
Consumer price indexes (1982-1984 average = 100) all urban consumers, unadjusted (Dept. of Labor)
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)
138
135
132
260
200
140
Inventories
New orders
2400
2320
2240
Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)
Manufacturers' new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)
150
250
350
140
135
130
670
640
610
Unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)
Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)
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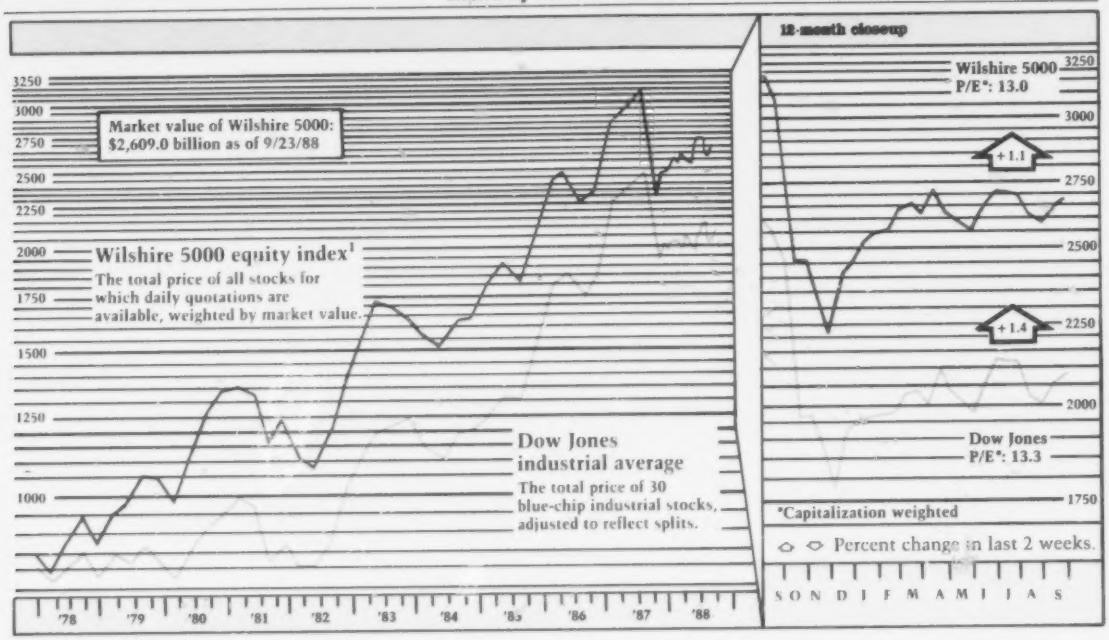
The Forbes/Wilshire 5000 Review

Edited by Steve Kichen



Lagging the rest of the world. Markets in Japan and France have already recovered from the international debacle of last October. Meanwhile, the U.K. market is still down 25% for the past year, while the Dow is down 18.7% .

Why has the U.S. market stalled? Perhaps investors are staying on the sidelines until after the election. Edward Nicoski, a market strategist for Piper, Jaffrey & Hopwood in Minneapolis, has another viewpoint. "Last October's crash was like a death in the family, and investors are not comfortable with the market." Nicoski thinks that the Dow is presently at the upper end of its trading range.

The current P/E ratio for the Forbes 500 is 12, down from 20.8 twelve months ago and 13.8 three months ago. At 12 times earnings, the average stock has an earnings yield (earnings divided by price) of 8.3%. But you can do just as well with a CD.

Closeup of the Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[2]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	3.5	4.1	3.6	3.5	1.8	2.8
in last 52 weeks	–14.8	–16.4	–18.7	–14.9	–15.6	–12.9

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility[3]		P/E multiple		Dividend yield		Growth profile[4]		Share price	
	large	small	high	low	over 23	under 9	over 4.7%	none	high	low	over $35	under $4
in last 4 weeks	3.6	3.1	3.3	1.7	2.8	3.5	1.7	4.8	3.6	2.1	3.6	1.9
in last 52 weeks	–10.2	16.4	15.2	6.0	–7.3	0.2	2.6	20.4	15.5	1.8	–6.6	10.8

[1]Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created. [2]Based on sales. [3]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable. [4]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

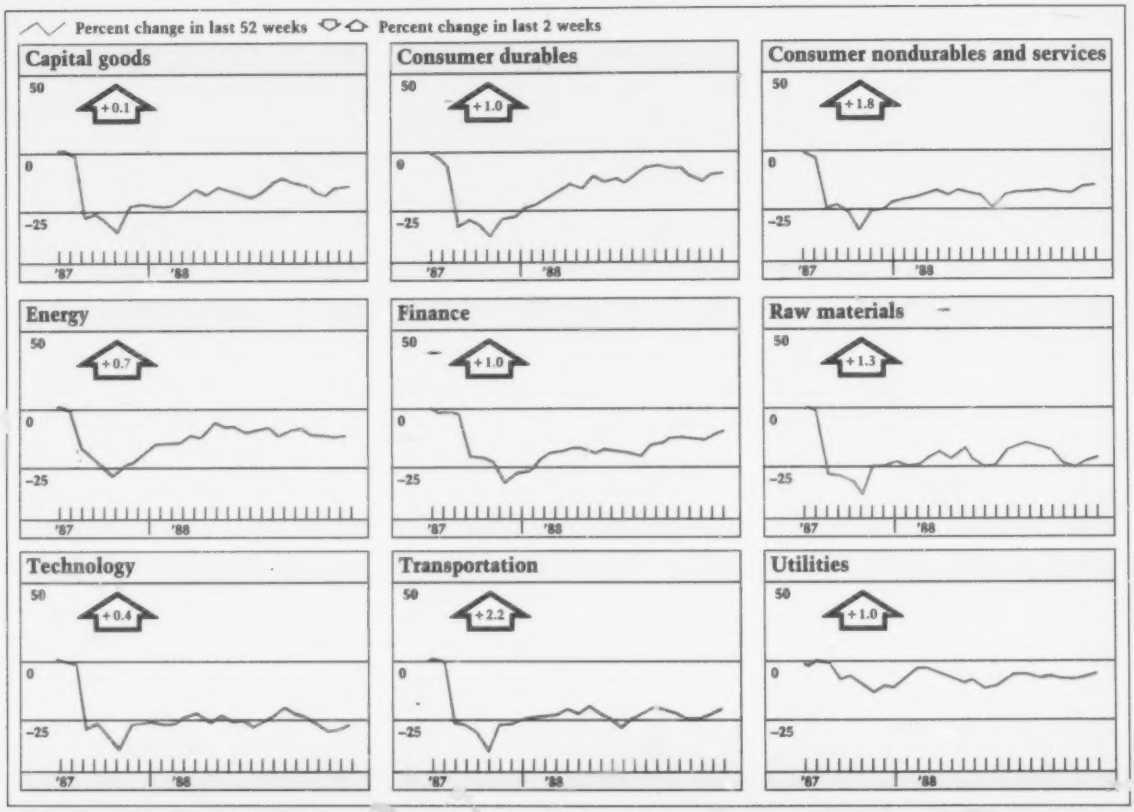
Note: All data for periods ending 9/23/88. Prepared by Wilshire Associates, Santa Monica, Calif.

Steven Ramos

Where the Action Is

Surprises good and bad. The hottest Wilshire sector over the last two weeks was transportation, up 2.2%. Leading the group was CSX, which announced its intent to buy 38% of its stock in a restructuring that would also include asset sales. The market responded favorably and moved CSX up 14.8% for the recent two-week period.

Bad news knocked down Regina, a 96-year-old vacuum maker. On Sept. 21 Regina announced that it would report a loss for the September quarter. At the time it had the highest "timeliness" rating from *The Value Line Investment Survey*. Regina had been claiming earnings and sales growth in excess of 40% for the past two years. On Sept. 27 Peat Marwick disclosed that Regina's financial statements for the past year appear to be inaccurate.



What the Analysts Think

Relativity. The Forbes Sales 500 is priced at 12 times latest 12-month earnings and 9.7 times estimated 1989 earnings. But back in August 1984 the Forbes Sales 500 had an expected 1985 earnings multiple of 6.5. Either the 1989 estimates are too conservative or stocks are not as cheap as one might think.

Forecasting the Forbes Sales 500

Performance period	Average earnings per share	P/E
latest 12 months	$3.19	12.0
1988 estimates	3.59	10.7
1989 estimates	3.96	9.7

Rank based on change in estimate	Sector	Estimated 1988 EPS	Estimated 1988 P/E	% change in 1988 estimate in 2 weeks	% change in 1988 estimate in 4 weeks
1	Raw materials	$3.21	9.5	0.52%	1.06%
2	Consumer durables	4.66	11.2	0.17	0.33
3	Capital goods	2.63	14.1	0.09	0.23
4	Consumer nondurables	2.45	13.6	-0.06	-0.20
5	Utilities	2.39	10.1	-0.15	-0.37
6	Technology	2.93	11.4	-0.28	-0.56
7	Finance	3.42	8.8	-0.57	-0.86
8	Energy	3.20	11.9	-0.84	-0.26
9	Transportation	2.30	11.7	-0.93	-1.95

Earnings projections are capitalization-weighted consensus estimates from over 3,000 security analysts. Data are compiled and updated continually by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 9/23/88. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.